

Senate Study Bill 1061

SENATE FILE _____
BY (PROPOSED COMMITTEE
ON WAYS AND MEANS BILL
BY CO=CHAIRPERSON ZIEMAN)

Passed Senate, Date _____ Passed House, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act relating to state income taxes by authorizing individuals,
2 corporations, and financial institutions to elect to take the
3 additional first-year depreciation allowance and the increased
4 expensing allowance and to allow the additional first-year
5 depreciation allowance and the increased expensing allowance
6 which were deductible for a tax year for which a tax return
7 was filed prior to a certain date to be deducted on the return
8 filed for the subsequent tax year and including an effective
9 date provision and a retroactive applicability date provision.
10 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:
11 TLSB 1950XC 81
12 mg/sh/8

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1 1 Section 1. Section 422.7, subsection 39, paragraph b, Code
1 2 2005, is amended to read as follows:
1 3 b. ~~The A taxpayer may elect to apply the~~ additional first=
1 4 year depreciation allowance authorized in section 168(k)(4) of
1 5 the Internal Revenue Code, as enacted by Pub. L. No. 108=27,
1 6 ~~shall apply~~ in computing net income for state tax purposes,
1 7 for qualified property acquired after May 5, 2003, and before
1 8 January 1, 2005. If the taxpayer elects to take the
1 9 additional first-year depreciation allowance authorized in
1 10 section 168(k)(4) of the Internal Revenue Code for state tax
1 11 purposes, the deduction may be taken on amended state tax
1 12 returns, if necessary. If the taxpayer does not elect to take
1 13 the additional first-year depreciation allowance authorized in
1 14 section 168(k)(4) of the Internal Revenue Code for state tax
1 15 purposes, the following adjustment shall be made:
1 16 (1) Add the total amount of depreciation taken on all
1 17 property for which the election under section 168(k)(4) of the
1 18 Internal Revenue Code was made for the tax year.
1 19 (2) Subtract an amount equal to depreciation allowed on
1 20 such property for the tax year using the modified accelerated
1 21 cost recovery system depreciation method applicable under
1 22 section 168 of the Internal Revenue Code without regard to
1 23 section 168(k)(4).
1 24 (3) Any other adjustments to gains or losses to reflect
1 25 the adjustments made in subparagraphs (1) and (2) pursuant to
1 26 rules adopted by the director.
1 27 Sec. 2. Section 422.7, Code 2005, is amended by adding the
1 28 following new subsection:
1 29 NEW SUBSECTION. 44. A taxpayer may elect not to take the
1 30 increased expensing allowance under section 179 of the
1 31 Internal Revenue Code, as amended by Pub. L. No. 108=27,
1 32 section 202, in computing state tax purposes. If the taxpayer
1 33 does not take the increased expensing allowance under section
1 34 179 of the Internal Revenue Code for state tax purposes, the
1 35 following adjustments shall be made:
2 1 a. Add the total amount of expense deduction taken on
2 2 section 179 property for federal tax purposes under section
2 3 179 of the Internal Revenue Code.
2 4 b. Subtract the amount of expense deduction on section 179
2 5 property allowable for federal tax purposes under section 179
2 6 of the Internal Revenue Code prior to enactment of Pub. L. No.
2 7 108=27, section 202.
2 8 c. Any other adjustments to gains and losses to the
2 9 adjustments made in paragraphs "a" and "b" pursuant to rules

2 10 adopted by the director.

2 11 Sec. 3. Section 422.35, subsection 19, paragraph b, Code
2 12 2005, is amended to read as follows:

2 13 b. ~~The A taxpayer may elect to apply the additional first=~~
2 14 ~~year depreciation allowance authorized in section 168(k)(4) of~~
2 15 ~~the Internal Revenue Code, as enacted by Pub. L. No. 108=27,~~
2 16 ~~shall apply in computing net income for state tax purposes,~~
2 17 ~~for qualified property acquired after May 5, 2003, and before~~
2 18 ~~January 1, 2005. If the taxpayer elects to take the~~
2 19 ~~additional first-year depreciation allowance authorized in~~
2 20 ~~section 168(k)(4) of the Internal Revenue Code for state tax~~
2 21 ~~purposes, the deduction may be taken on amended state tax~~
2 22 ~~returns, if necessary. If the taxpayer does not elect to take~~
2 23 ~~the additional first-year depreciation allowance authorized in~~
2 24 ~~section 168(k)(4) of the Internal Revenue Code for state tax~~
2 25 ~~purposes, the following adjustment shall be made:~~

2 26 (1) ~~Add the total amount of depreciation taken on all~~
2 27 ~~property for which the election under section 168(k)(4) of the~~
2 28 ~~Internal Revenue Code was made for the tax year.~~

2 29 (2) ~~Subtract an amount equal to depreciation allowed on~~
2 30 ~~such property for the tax year using the modified accelerated~~
2 31 ~~cost recovery system depreciation method applicable under~~
2 32 ~~section 168 of the Internal Revenue Code without regard to~~
2 33 ~~section 168(k)(4).~~

2 34 (3) ~~Any other adjustments to gains or losses to reflect~~
2 35 ~~the adjustments made in subparagraphs (1) and (2) pursuant to~~
3 1 ~~rules adopted by the director.~~

3 2 Sec. 4. Section 422.35, Code 2005, is amended by adding
3 3 the following new subsection:

3 4 NEW SUBSECTION. 20. A taxpayer may elect not to take the
3 5 increased expensing allowance under section 179 of the
3 6 Internal Revenue Code, as amended by Pub. L. No. 108=27,
3 7 section 202, in computing state tax purposes. If the taxpayer
3 8 does not take the increased expensing allowance under section
3 9 179 of the Internal Revenue Code for state tax purposes, the
3 10 following adjustments shall be made:

3 11 a. Add the total amount of expense deduction taken on
3 12 section 179 property for federal tax purposes under section
3 13 179 of the Internal Revenue Code.

3 14 b. Subtract the amount of expense deduction on section 179
3 15 property allowable for federal tax purposes under section 179
3 16 of the Internal Revenue Code prior to enactment of Pub. L. No.
3 17 108=27, section 202.

3 18 c. Any other adjustments to gains and losses to the
3 19 adjustments made in paragraphs "a" and "b" pursuant to rules
3 20 adopted by the director.

3 21 Sec. 5. SPECIAL FILING PROVISIONS. Adjustments to federal
3 22 adjusted gross income for individuals and federal taxable
3 23 income for corporations made on previous tax returns filed
3 24 prior to the effective date of this section of this Act may be
3 25 required. These adjustments relate to the disallowance of
3 26 both the additional fifty percent first-year depreciation
3 27 allowance authorized in section 168(k) of the Internal Revenue
3 28 Code for assets acquired after May 5, 2003, and before January
3 29 1, 2005, and the increase in the expensing allowance
3 30 authorized in section 179(b) of the Internal Revenue Code for
3 31 tax periods beginning on or after January 1, 2003. In lieu of
3 32 filing an amended tax return, taxpayers may make these
3 33 adjustments, pursuant to rules adopted by the director of
3 34 revenue, on the next return filed subsequent to the effective
3 35 date of this section of this Act.

4 1 Sec. 6. EFFECTIVE AND RETROACTIVE APPLICABILITY DATES.

4 2 This Act, being deemed of immediate importance, takes effect
4 3 upon enactment. Sections 1 and 3 of this Act apply
4 4 retroactively to tax years ending after May 5, 2003. Sections
4 5 2 and 4 of this Act apply retroactively to tax years beginning
4 6 on or after January 1, 2003.

4 7 EXPLANATION

4 8 This bill allows a taxpayer to elect to take the additional
4 9 first-year (bonus) depreciation allowance in computing the
4 10 individual, corporate, and franchise taxes and specifies the
4 11 adjustments to be made in determining net or taxable income if
4 12 such election is not made. This provision is retroactive to
4 13 tax years ending after May 5, 2003.

4 14 The bill also allows a taxpayer not to elect to take the
4 15 increased expensing allowance in computing individual,
4 16 corporate, and franchise taxes and specifies the adjustments
4 17 to be made if such election is made. This provision is
4 18 retroactive to tax years beginning on or after January 1,
4 19 2003.

4 20 The bill allows a taxpayer that was eligible, under the

4 21 individual or corporate income tax, for the additional first=
4 22 year (bonus) depreciation allowance or the increased expensing
4 23 allowance for a tax year for which an income tax return for
4 24 that tax year was filed prior to the effective date of the
4 25 provision of the bill, to elect, in lieu of filing an amended
4 26 return, to take the bonus depreciation allowance or increased
4 27 expensing allowance in the taxpayer's subsequent tax year.
4 28 The amount of the deduction and any other adjustment as a
4 29 result of this deduction is to be computed pursuant to rules
4 30 adopted by the director of revenue.
4 31 The bill takes effect upon enactment.
4 32 LSB 1950XC 81
4 33 mg:rj/sh/8